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Annual Wage Review 2024-2025

Fair Work Commission

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Dear Expert Panel,

AUSVEG SUBMISSION TO ANNUAL WAGE REVIEW 2023-2024

Thank you for the opportunity to share insights into the Australian potato, onion and vegetable industry and the impact of wages on the businesses which grow and supply 98 percent of the fresh vegetables consumed by Australians each year. AUSVEG is a not-for-profit, member-based organisation representing over 3,600 vegetable producers that account for 3.6 million tonnes of vegetable production and an annual farmgate value of \$5.8 billion.

AUSVEG collaborates with other peak industry bodies and stakeholders, and is a member of the National Farmers' Federation Horticulture Council and the Australian Industry Group.

AUSVEG recognises that every Australian worker is entitled to earn a fair wage. AUSVEG also understands that Australian workers are facing economically challenging conditions as a result of current cost of living pressures linked to recent elevated inflation levels.

Australian vegetable growing businesses have also been significantly affected by the high-inflation environment, which has led to a deeply concerning outlook for the Australian vegetable industry. In a recent AUSVEG survey undertaken in January 2024, thirty seven percent of growers indicated that they are considering leaving their farming businesses within the next twelve months. Sixty-six percent of growers said business viability is 'poor' or 'very poor' in the current operating environment, with a further thirty percent citing business viability as 'average'. This compares to a previous AUSVEG survey in June 2023 where forty five percent said business viability was 'poor' or 'very poor', with a further forty one percent citing business viability as 'average'.

Rising input costs, including wages, along with poor retail pricing are the key reasons for growers considering exiting the industry.

Vegetable growers continue to face challenges attracting staff in the current labour market due to their regional locations, the nature of the work, and the competitive labour market. The fact that growers cannot increase their product sale price to cover input costs, including labour, compounds these challenges.

This is because vegetable growers are typically 'price takers' due to the nature of the supply chain and the dominance of the retail sector, which controls pricing to suppliers, and which prevents vegetable growing businesses from passing on increased production costs, such as labour.

Aside from the inability to lift pricing and remain viable, vegetable growing businesses are continuing to confront critical workforce shortages that were exacerbated with the closure of Australia's borders for two years during the COVID-19 pandemic, and from which the horticulture sector is yet to recover.

In AUSVEG's recent grower survey, fifty five percent indicated that they have workforce shortages and 85 percent said they expected that these shortages would stay the same or worsen. Whilst migration to Australia has surpassed annual numbers recorded pre-pandemic¹, recent changes to industrial relations

¹ 'Overseas migration', ABS. 15 December 2023. <https://www.abs.gov.au/statistics/people/population/overseas-migration/latest-release>

policies have ensured that benefits associated with having more people in the country have not flowed on to alleviating the workforce shortages and pressures still being experienced in the horticulture sector.

Policies such as capping the number of hours that can be worked per week by international students, removing farm work from the United Kingdom (UK) Working Holiday Maker Visa requirements, and capping standard working hours at 38-hours per week over eight weeks, have all detrimentally impacted the vegetable sector.

Recent ABARES data has highlighted that whilst 3 percent year-on-year growth in overall horticultural production value is forecast (see the *Weekly Times* article [Aussie ag value to hit \\$85b in rebound year](#)), this does not reflect profitability, with that growth expected to come off the back of higher production volumes offsetting lower prices. This is also occurring at a time when vegetable growing businesses are grappling with the extremely high cost of key farm inputs, including labour (see the *Weekly Times* article [Cost crunch for Aussie farmers](#)).

From the onset of the COVID-19 pandemic, vegetable growers have experienced unprecedented rises in input costs. Fertiliser prices remain high with volatility in the international market, chemical costs have tripled and diesel and energy prices have also increased, with little reprieve forecast. These input cost rises are in addition to increased wages and more restrictive labour options.

Compared to other OECD countries including Singapore, the UK, Canada, the United States of America and New Zealand, Australia's national minimum wage, and its Level 1 Award Rate under the Horticulture Award, is already the highest. Wages are a significant factor in most vegetable farm input costs due to the heavy reliance on labour to harvest crops. In crops, such as brassicas, where there are few mechanical harvest options, labour can account for in excess of 60 percent of production costs.

With higher standards now required by law in Australian and international markets, such as food safety, workplace health and safety, and ESG requirements, there is a heavy and costly compliance burden on growers. Without the ability to pass on these costs, and with wages continually increasing, the viability of the vegetable industry is under increasing pressure, and the number of Australian grower businesses will continue to diminish.

Further, Australia faces challenges in achieving strong international competitiveness, with Australia's share of global vegetable exports remaining relatively low compared to other major exporting nations, as well as compared to other Australian agricultural commodities. These challenges in accessing export markets can be attributed to various factors but are largely due to high production and labour costs.

AUSVEG supports fair wages for Australian workers, however the consequences of additional wage increases are likely to lead to a decline in fresh vegetable production, with negative flow on effects to Australian consumers.

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Sincerely,



Michael Coote
Chief Executive Officer
AUSVEG